

HISTORY AND PHILOSOPHY OF ECONOMICS

**Markets, Planning and the Moral Economy:
Business Cycles in the Progressive Era and New Deal**
Donald R. Stabile and Andrew F. Kozak
Cheltenham, United Kingdom: Edward Elgar, 2012

Economists and the State: What Went Wrong
Timothy P. Roth
Cheltenham, United Kingdom: Edward Elgar, 2014

It is important for scholars in both economics and public policy to have a sophisticated awareness of the context in which they work. This context is comprised of, to name but two significant features, philosophy and history. Examination of economic and political theories demonstrates that no economic policymaking takes place in a vacuum: Even the apparently pragmatic criterion of “doing what works” is predicated on *ideas* about what “working” means and how to measure success. The study of history supplies economists and policymakers perhaps most crucially with a sense of humility: Contemporary experts are not the first to believe that they have found answers to the world’s problems—if only everyone else would comply with their sage advice.

In light of this point, these two books are large steps in the right direction. Stabile and Kozak offer a history of twentieth-century thinking about economic downturns and how to solve them. To organize their material, they distinguish two fundamental approaches to economic policymaking: “moral economics” and “market economics.” A moral economy is one in which “economic decisions are made through planning with an attitude of doing what is right and fair in order to achieve social justice” (1). Advocates

of the market economy, in contrast, argue that the market “is a superior way for making choices about what to produce with our limited resources, by letting each individual’s or organization’s willingness and ability to buy or sell at market prices allocate (ration) goods and services” (2).

Timothy Roth argues that a “procedurally-based, consequence-detached political economy” is superior to the view that has reigned in recent years among economic policymakers and that, based on welfare theory, focuses on distributive rather than procedural justice. Using Adam Smith and the American founders as touchstones, Roth proposes a return to what he calls a “constitutional political economy (CPE)” that “seeks institutional arrangements that both reflect and promote respect for the moral equivalence of persons” (55).

In sum, both books direct our attention, through analysis of previous economic actors, to the limitations of views that have been dominant at various points in the history of American policy. Stabile and Kozak are less prescriptive than Roth, but both books end up in much the same place: Contemporary economic malaise is the result of the growth of government intervention in the economy, which is in turn the result of faulty ideas about how best to achieve prosperity and justice.

With respect to this basic insight, both books are helpful and accurate. However, the story of American economic policymaking is much more complicated than such a straightforward formulation would suggest, and it is in these details that many quibbles can be raised. By articulating a few of these, the arguments of both books can at the same time be sketched.

There is always danger in reducing the possible positions on complex matters to a total of two. Stabile and Kozak are undoubtedly aware of the danger but determine that the benefits of simplification justify the risk. There is precedent, after all, in the popular and effective *Commanding Heights* project (book and documentary 1998, 2002) that posited twentieth-century economic and political history as a battle between proponents of government-controlled economies and those of free-market economies, whose respective apotheoses were John Maynard Keynes and Friedrich Hayek. Perhaps this kind of dichotomy is especially tempting in the American context, where, for the most part, two political parties have dominated the landscape since the early days of the country.

The move remains problematic, however: Even if politics (and economics) make strange bedfellows, it still requires procrustean violence to fit half the world into one bed and half into the other. The problem is exacerbated by the authors’ choice of terminology. In their account, *moral* implies promoting or at least welcoming *government* planning of the economy. Granted that many advocates of government planning posit moral reasons for their proposals, there is also a long tradition of opposing government intervention on explicitly moral grounds.

Stabile and Kozak are not oblivious to this. Their summaries of progressive and market thinkers are informative and generally do justice to the complexity of their thought. In sum, the story they tell is more complicated—and accurate—than the theoretical categories by which they try to capture it. That they recognize this at some level is apparent in their concluding remarks. Policy lessons are difficult to discern in the contemporary situation,

they note, because in the contemporary “mixed economy” it has become “increasingly difficult for both sides in the debate over morals and markets to determine whether creative destruction or gradual collectivization are responsible for either the downturns that the economy still suffers or the recoveries that still follow them” (248). That is so, and thus the debate will likely be interminable.

Roth’s categorization is similarly problematic. By presenting procedural versus results-based understandings of justice as the key point of differentiation, he, too, oversimplifies the lines of debate. Under this organizational scheme, Hayek and John Rawls are allies. A complete treatment of the relationship between Hayek’s and Rawls’ thought would take more space than is available here, so the following will have to suffice: Roth is correct that there are important connecting threads between the two, but he does not adequately address the significant differences.

A thought experiment that may serve to highlight this central problem in both accounts is to ask whether Hayek and Rawls would be “on the same side” in the Stabile and Kozak book: Probably not. Hayek, a well-known opponent of government intervention, would be among the advocates of a market economy. John Rawls, a man of the political left whose theory is widely perceived to provide intellectual justification for the welfare state, would thus be a supporter of the moral economy. Lines of division running among thinkers, ideologies, and political positions are often (always?) tangled, and sensitive analyses should reflect that reality.

This problem aside, these books are informative and insightful and deserve attention from scholars in the fields of economic history, philosophy of economics, and public policy. Stabile and Kozak’s evenhanded treatment is a model of fairness toward contrasting views on contentious issues. Roth’s exhortation to a constitutional political economy is basically sound, and his critique of “legislating by the executive, bailouts, and other chicanery” (85) is refreshingly forthright.

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The Economy of Recognition: Person, Market and Society in Antonio Rosmini

Carlos Hoevel

Dordrecht, Netherlands: Springer, 2013 (263 pages)

An extraordinarily learned man and an original thinker, Antonio Rosmini-Serbati (1797–1855) has been largely neglected—both in his native Italy and abroad. Among Catholic scholars, Rosmini suffered from the Post Obitum decree of 1887 and from the Jesuits’ extensive and successful campaign for his ostracism. Another possible reason for this neglect, however, may have to do with some peculiar features of his writings. Rosmini had a very productive life: his collected works would amount to some one hundred volumes.